

To : Hamish Maxwell

cc. TG, WTH, CEK, FHD,
JRH, LR, CW, MJ,
(PM EEC);
R.W.Murray, T.H.Kearns,
L.Pollak, R.L.Snyder,
—K.Haley (PMI).

FLASH FOR WEEK ENDING MAY 20, 1983

I. LEGAL

1. EEC

- a) H. Maxwell, E. Houminer and J. du Plessis (Rembrandt) met on May 10 in Brussels with F. Andriessen, B.J. van Voorst and M. Caspari to discuss our case. The possibility of a settlement was discussed. The atmosphere was good, and it was agreed that the Commission would respond in the near future.
- b) On the same day, HM, EH and J. du Plessis had lunch with E. Davignon, Vice President of the Commission, with responsibility for Industrial Affairs, and H. Simonet. Our case was further discussed and Mr. Davignon responded in a positive manner, as well as made some useful suggestions.
- c) On May 11, in the Hague, HM, EH and G. de Wit met with G.M.V. van Aardenne, Deputy Prime-Minister and Minister of Economic Affairs in the Dutch Government. A number of topics were discussed including our case before the EEC, and Mr. van Aardenne was asked to consider the matter favourably if our case comes up before the member states.
- d) L. Briet, F. Andriessen's assistant, is being transferred to the EEC office in Washington, D.C. sometime this summer.

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- e) In London, on May 4, EH, FHD, M. Mockridge and D. Holley met with J. du Plessis, M. Nicholson and C. Bellamy to discuss alternatives to be proposed to the EEC to settle our case. PM suggested that RTH be dissolved and PM's resulting direct holding in RI would be given to RG in trust for a period of 10 years (subject to adequate safeguard clauses). Rembrandt agreed to consider this and give us their response.
- f) On May 10 in Brussels, EH, FHD, M. Waelbroeck and M. Siragusa again met with J. du Plessis, M. Nicholson and C. Bellamy to have further discussions. RG briefly indicated that any dissolution of RTH was not acceptable to them and, in turn, proposed that our holding in RTH be reduced to less than 50% in equity and our voting power reduced to 24.9%. They did not propose that we receive any compensation for the surrender of these rights which, they indicated, could be restored if we should want to sell our shares in RTH. Both sides agreed to study in detail the respective proposals, but that in view of the encouraging tone of the meeting with F. Andriessen, it was agreed that we should not continue detailed discussions until we see what the EEC's position is.

2. GERMANY

- a) Preparations continued for the Court hearing scheduled for June 13.
- b) The draft of a marketing presentation to be made at the oral hearing was discussed with Heidenhain, Axster and Hirsch in Frankfurt on May 18. They were in agreement with the outline and minor modifications are now being made.
- c) PM Germany's answer to the FCO request (addressed to all cigarette manufacturers and retailers) for details of unit volume, market shares and sales is to be submitted next week, with a request for confidentiality due to the fact that sales through various trade channels as well as monthly volume statistics are not generally available. Data is due to be submitted by

- d) Mr. W. Surrey and Mr. A. Krash of Arnold & Porter spoke again to Mr. Stark of the Justice Department on May 18 concerning the US Government readiness to make approaches on our behalf to the German Government. Mr. Stark advised that he is against any action in this matter. We must - by now - conclude it will be impossible to get a US Government intervention.
- e) The legal opinion being prepared by Professors at Stellenbosch University has been completed and will be submitted as a formal paper of the S.A. Government.
- f) Following approaches by RI, the Department of Trade in the UK are going to write to the Court declaring their interest in the case.

II. OPERATIONS

1. Martin Brinkmann

Martin Brinkmann have come back with another offer for the sale of metallized paper to us. They have dropped a demand for a know-how payment and are quoting a price of DM 28.50 per 100 sq.m. The offer is now being evaluated.

2. Carreras-Rothmans

We have learned that Carreras-Rothmans have signed a license agreement with Monital for the production of Craven A. The cigarettes will be manufactured in Florence and will sell at Lit.1600. We are trying to obtain more information regarding this agreement.

3. Rembrandt

Messr. W.H. Du Preez, Leaf Director, and Crawford, Primary Manager Paarl factory, will be visiting our factories in Berlin and Bergen op zoom on May 26 and 27.

4. Chesterfield-Tabacofina Manufacturing Contract.

Tabacofina have requested an increase in the contract manufacturing fee for Chesterfield sold in France and Italy, from Dfl 17.61 to Dfl 23, effective April 1, 1983. Although the agreement provides for regular adjustment of the fee, it has not been adjusted since 1980. EEC Management will review the request.

III. PLANNING

1. Carling O'Keefe

Plans to launch Miller High Life in a clear bottle have been dropped due to the difficulty of obtaining approval from the authorities for an ingredient used with the clear bottle. It is now planned to launch High Life using a brown bottle, in the same shape as the US bottle, which is different to the other beer bottles presently used in Canada. All provinces, except Ontario, have approved the use of the bottle and Ontario is expected to approve very soon.

N.B. Ontario approval was received in the first week of May.

2. Eve - Germany

Brinkmann were informed by telex on May 11 of PM's agreement to their two requests for changes to this brand, viz a change in blend to reduce tar from 12mg to 10mg and a change in pack to show "Lights". Brinkmann have been asked to inform us when the modified product will be launched on the market.

3. Trademarks

A meeting was held on April 30 in Zurich, attended by EH, WIM and V. Tinucci for PM, M.J. Roux, C. Van As and J. du Plessis for Rembrandt, and V. Brink and M. Thompson for RI. The topics discussed were :

a) Dunhill

PM accepted the financial proposals made by RG at the meeting held on March 18 in London but made counter-proposals regarding duration and termination. PM's interest in the trademark was re-emphasized. V. Brink countered with a new proposal that an agreement should only be concluded once PM had a definite plan to launch. (Since the meeting, EH has phoned M.J. Roux to advise that PM would accept an option on Dunhill, as long as we were assured of using the trademark when we wanted it.)

b) US/South Africa License

The outstanding issues of use of "licensee developed advertising" and "reasonable efforts to market products" were resolved. PM agreed to draft a new side-letter covering Marlboro/Merit in South Africa, which are not to be mentioned in the agreement, and submit this for

c) Cartier

PM suggested insertion of a renewal clause and amendment of the clause concerning advertising restrictions (due to possible legal repercussions in the USA). RG indicated a preference for a sub-license rather than a new license direct from Cartier. PM accepted the payment of minimum royalties proposed, but to cover the whole territory as defined in the main agreement. A similar duration to that proposed for Dunhill was also suggested, i.e. an initial period of 10 years with 7 year renewals on payment of minimum royalties. RG are reviewing this.

d) Chesterfield - South Africa

PM expressed agreement in principle to extend the Chesterfield license, so as to give RG continuity, in the event the main agreement is not implemented. The terms suggested were :
Duration/termination : 10 years, with 7 years renewals.
Royalties : 60c/1000, indexed
Minimum : equal to 5% of the South African market.
The PM agreement is subject to successful conclusion of the Dunhill and Cartier licenses.

e) A follow-up meeting arranged for May 20 in London was subsequently cancelled by M.J. Roux. Further contact is expected in early June.

IV. FINANCIAL

1. RI Unit Volume

T. Roux advised the unit volume for December (which he had previously omitted to advise) and for March 1983.

The details are as follows :

- a) Month of December - down 2.5% on previous year
12 months moving total - down 3.4% on previous year
- b) Month of March 1983 - up 4.1% on previous year
12 months moving total - down 2.9% on previous year

2. Cartier

We have learned that there is a possibility of Cartier Monde applying for a listing on the London Stock Exchange. Further details are not available as yet.

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V. GENERAL

Share price of	<u>May 6, 1983</u>	<u>May 13, 1983</u>	<i>May 20/83</i>
Rothmans International (£)	105p	100p	
RI convertible £/Bonds (DM)	3656	3650	
Dunhill (£)	375p	370p	
Carrolls (Irish £)	88p	88p	
Tobacofina (BF)	2840	2835	
RPM Canada (Can.\$)			
- Common	41-3/8	44	
- Preferred B	13-3/8	13-7/8	
Carling O'Keefe (Can.\$)			
- Common	<u>17-3/4</u>	<u>16-3/8</u>	<u>15 3/8</u>
- Preferred A	24-1/2	24	
RPM Australia (Aust.\$)	6.90	7.00	
Rothmans Industries, N.Z. (NZ\$)	1.90	1.90	
RPM Malaysia (Sing.\$)	3.40	3.32	
Rothmans Industries Ltd (Sing.\$)	2.34	2.30	

Regards.

E. Hominer

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